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S E C R E T SECTION 01 OF 04 BAGHDAD 000101

SIPDIS

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [EFIN](#) [MOPS](#) [MARR](#) [PGOV](#) [PREL](#) [KCOR](#) [IZ](#)

SUBJECT: DPM CHALABI UPDATES ON ENERGY AND INFRASTRUCTURE

REF: BAGHDAD 0048

Classified By: Classified by Charge D'Affaires David Satterfield for reasons 1.4 (b) and (d).

1. (C/REL MNF-I) SUMMARY: Deputy Prime Minister (DPM) Ahmad Chalabi, serving at that time as acting Minister of Oil (MoO), hosted a status review on January 8 for the Steering Group for Infrastructure Integrity. According to data he presented, Chalabi claimed that Baghdad has 1.1 days of gasoline supplies on hand, with a tenuous but improved re-supply chain. The 22-inch product line from Bayji to Baghdad remains interdicted. MoO intends to pump gasoline by pipeline from Bayji to Kirkuk and truck it to Baghdad to avoid the more dangerous Bayji-Baghdad route. Chalabi acknowledged the effectiveness of the recent IMF-mandated fuel price hikes as a corruption-fighting tool. He stressed the existence of a connection among corrupt officials, black marketeers, and insurgents, who he said are engaged in an "effort to make the government fail." He announced he would restrict the export of fuel products from Iraq over the Syrian border. Finally, Chalabi once again challenged the effectiveness and utility of the Strategic Infrastructure Battalions (SIBs). END SUMMARY.

2. (SBU) On January 8, DPM Chalabi met the Steering Group for Energy Infrastructure Integrity to discuss the fuel crisis situation in Iraq. The meeting was attended by Infrastructure Coordination Center Chief BG Kamal, DCM Satterfield, Deputy Commander of MNF-I LTG Houghton, POL/MILMINCOUNS, ECONMINCOUNS, MNF-I STRATOPS, IRMO Director of Operations, and ECONOFF.

PRODUCTION AND DELIVERY OF FUEL

3. (C/REL MNF-I) Director General of the Ministry of Oil's (MoO) Technical Directorate, Samir Michael Assad, summarized current gasoline production in Iraq. Samir Michael said that Bayji was providing 1.4 million gallons, Basra 450,000 gallons, and Daura 130,000 gallons of gasoline. He added that 1.5 million gallons of gasoline had been delivered to service stations in Baghdad January 8. (NOTE: This compares to average daily consumption from official sources in Baghdad of 2.1 million gallons. END NOTE). The total amount of gasoline available in Baghdad on January 8, according to Samir Michael, was 2.4 million gallons or 1.1 days of supply. Samir Michael explained that normally about 1 million gallons of gasoline comes from the sea-borne imports at Umm Qasr, while a half-million gallons usually are produced at the Daura refinery, near Baghdad. (NOTE: Total Iraqi production does not even meet Baghdad consumption needs. END NOTE.)

PIPELINES AND CONVOYS

4. (C/REL MNF-I) DPM Chalabi said that the 22" Bayji-Baghdad product line remains down, six days after it was interdicted. The initial oil pipeline repair crew had been attacked, with three men wounded and their vehicle destroyed. The interdiction is at a remote location, he said, and the repairs remain incomplete. (NOTE: The Director General for Oil Pipelines agreed to Coalition requests that they will no longer send out repair crews without adequate coordination through the Provincial Joint Coordination Center (PJCC) or without security. END NOTE). The inability to ship oil by pipeline to Baghdad from Bayji has necessitated an alternative course of action, for which convoys were selected. Chalabi said that two convoys have been attacked on January 4 and 5 while carrying fuel to Baghdad on Highway 1, and he concluded that that route to Baghdad is too dangerous. The truckers are intimidated and, even with bonuses, will not drive that route. As a result, Chalabi told us he directed that product be pumped from Bayji to a new depot in Kirkuk and then trucked from Kirkuk along Highway 2 to Baghdad. Chalabi estimated that 500,000 gallons per day would be necessary from Bayji to complement gasoline supplies from other sources for the Baghdad area.

5. (C/REL MNF-I) The 18" crude oil pipeline to Daura refinery has been repaired, and the second unit at Daura is starting up again. The 26" pipeline from Kirkuk to Bayji has not been interdicted since its last repair on January 5, and

oil is now in the pipeline flowing to depot IT1A from Kirkuk.
The 40" and the 30/32" pipelines both are under repair.
(NOTE: Workers from the Northern Oil Company on site at
Zagatoon reportedly sabotaged both lines using a backhoe.
END NOTE.)

PIPELINE REPAIR CREWS -- MOO AND MNF-I PLANS

16. (C/REL MNF-I) The Ministry of Oil (MoO) has developed a plan for emergency pipeline repairs. The Ministry will provide five emergency repair crews who will be deployed to Iraqi Army camps. The 20-man crews will have their own vehicles, equipment, and security. MNC-I will coordinate with MoO for the deployment, hosting, and security of these crews at four Iraqi Army forward operating bases (FOBs) in Kirkuk, Bayji (2 teams), Baghdad, and Mussayib. These pipeline repair units should then be available to rapidly repair pipelines and would only be dispatched with integrated Iraqi Army security protection units. The date of the first team's deployment is not set, but MNF-I will work with DG Samir Michael to define requirements and discuss next steps.

COMMAND CONTROL AND COORDINATION
OF INFRASTRUCTURE SECURITY

17. (C/REL MNF-I) The PJCCs, as agreed between MNF-I and MoO, will be the focal point for all coordination of infrastructure security, repairs and convoy movements. Chalabi said there currently is "deplorable coordination" on the security operations to secure the oil pipelines and the fuel truck convoys, although he acknowledged that the MoO and the repairs crews, failure to inform the Coalition of their activities resulted in the security problems that has occurred. He said there was confusion within MoO on PJCCs, and many key MoO officials have "never heard of" these coordination centers, which are not staffed with MoO personnel despite the fact that MoO is a key element of the energy security program. Chalabi asked MNF-I to coordinate directly with MoO DG Samir Michael to staff these centers with appropriate MoO officials. (NOTE: Northern Oil Company personnel needed to coordinate already are in place in all three PJCCs; however, OPF and OPC personnel are not. Although coordination has been effective in the past, information sharing between the national level and the PJCCs now need to be improved. END NOTE.)

EXPORTS OF REFINED FUEL PRODUCTS
TO SYRIA WILL BE FORBIDDEN

18. (C/REL MNF-I) Chalabi acknowledged that the recent fuel price rise had made smuggling in Iraq a less viable option for terrorist financing and corruption, a point we had made to him some time ago. The profits from fuel sales on the black market are lower and the incentives to smuggle fuel reduced, but not eliminated, he said. Syria remains a favored destination, and Chalabi announced that he would strictly enforce existing regulations on the export of fuel products from Iraq, especially to Syria. Chalabi predicted that this reduction in smuggling would increase the availability of fuel in Iraq. Chalabi also discussed the option of shutting down deliveries of subsidized fuel to government factories, like the brick factories, so that resold fuel from other government entities would not end up on the black market or exported, as is often the case at present. Chalabi also questioned the lack of control of all tanker trucks across Iraq, suggesting that only about 10% of the tanker trucks were involved in legal distribution for MoO, with the rest involved in illicit activities, like smuggling fuel and black market operations.

INTELLIGENCE SUPPORT AND ANTI-CORRUPTION EFFORTS

19. (S/REL MNF-I) Chalabi expressed his continued concern about the lack of viable intelligence on saboteurs, terrorists, and smugglers. He cited the need to identify people involved in intimidation, smuggling, and interdiction, and to arrest them and bring them to justice. Chalabi requested MNF-I support on intelligence. MNF-I provided Chalabi with information on multiple suspects involved in corrupt practices in the Bayji refinery smuggling operations. We noted the importance of using this intelligence to acquire evidence through appropriate investigations to support charges that would be admissible in court so the government could prosecute corrupt MoO or provincial personnel. In addition to the former DG for Distribution (see para 10), another example of an official allegedly involved in oil corruption was the Salah ad Din Chief of Police. Chalabi asked how a police chief can be removed for corruption, since the provincial council alone has

jurisdiction over firing police chiefs. He asked whether MNF-I could remove this official, as they had removed other officials in al-Anbar Province. We suggested considering reference to the Central Criminal Court of Iraq (CCCI), whose mandate might include similar crimes.

110. (C/REL MNF-I) Chalabi informed us he had taken several actions to reduce corruption within the MoO. He said he had fired the DG for Distribution at Bayji for complicity in the intimidation incident that shut down Bayji for two weeks. Chalabi was replacing him with former Bayji Distribution Director General Hameed. He said he had formed a committee, comprised of Hameed, former Distribution DG Zuhayr Shakir, and one other official, whom he had asked to resolve the fuel distribution issue, including organizing the fuel truck drivers and motivating them to drive fuel convoys to Baghdad.

STRATEGIC INFRASTRUCTURE BATTALIONS

111. (C/REL MNF-I) Chalabi said he thought several of the Strategic Infrastructure Battalion (SIB) commanders should be fired, specifically the commanders of the 2nd, 9th, 11th, and 16th SIBs. Chalabi also opined that the SIBs must be more closely integrated into the Iraqi Army. Chalabi questioned the SIBs, loyalty and competence. Chalabi asked MNF-I to present a different solution to the SIB problems and recommended to the steering group that the SIB concept be reviewed in three weeks. LTG Houghton responded that loyalty and competence are issues that could and should be dealt with. Making the SIBs a mobile or maneuver force, however, would be a major undertaking, involving revamping their training and equipment since the SIBs had been designed by the Iraqis as a static force.

112. (C/REL MNF-I) BG Kamal, the Infrastructure Coordination Center Chief, agreed that many of the SIB commanders needed to be replaced. Kamal confirmed that some of the SIBs are involved in destroying the pipelines, although MNF-I said that the number of interdictions has been reduced. Chalabi responded that the pipelines are still interdicted and oil is not flowing -- thus the SIBs are not working.

SECURITY RESPONSIBILITIES

113. (C/REL MNF-I) Chalabi and MNF-I agreed that MNF-I was responsible for linear infrastructure security and that the Iraqi ministries were responsible for the fixed installations. The security of fuel convoys would be coordinated through the PJCCs. MNF-I reported that the 101st is providing aerial reconnaissance and surveillance of both the 22" pipeline and the route between Bayji and Baghdad. When Chalabi asked about route security to Baghdad for tanker trucks, MNF-I stated that Coalition Forces clear the route twice a day from Bayji to Baghdad. MNF-I also said the 101st is prepared to ensure protection of the fuel convoys once coordination is effected through the PJCCs but reiterated the importance of respecting the command and control chain in selecting and deploying forces. (NOTE: In spite of the lack of effective coordination from MoO on the status of convoys, all convoys from Bayji have been protected by security forces. END NOTE). When we questioned whether the security was in place for the lengthier route from Kirkuk to Baghdad (Route 2), Chalabi noted that the road was considered much safer.

OIL PRODUCTION AND EXPORTS

114. (C/REL MNF-I) Chalabi reported that oil production in the south should increase when 60 wells currently undergoing well workovers are completed. Chalabi added that the \$40 million initial effort, as well as a planned follow-on project for 77 additional wells, would increase Iraqi oil production by 650,000 barrels per day. Moreover, berthing confusion of tankers will be alleviated with the planned purchase of additional tug boats from Holland (delivery date unspecified). Chalabi also announced that there had been 1.71 million barrels of oil exported from the south January 17. (NOTE: This is a large increase from the recent exports of late December 2005 and early January 2006, when little to no oil was exported. END NOTE.)

115. (C/REL MNF-I) Chalabi prioritized his security issues as protection of the oil infrastructure first and electricity second. He called the current security crisis "an organized effort to make the government fail by using infrastructure interdiction to isolate Baghdad." Nonetheless, he concluded on a more optimistic note, claiming that "We are gradually winning the battle of gasoline in Baghdad."

116. (C/REL MNF-I) COMMENT: We agree that there has been

progress, most notably in attacking incentives for smuggling and blackmarketeering via IMF-mandated price hikes. Nevertheless, the overall supply situation remains tenuous, with little redundancy if further attacks are mounted. END COMMENT.
SATTERFIELD